

CEDARVILLE TOWNSHIP

Financial Report
with Supplemental Information
Prepared in Accordance with GASB-34

For the Year Ended
March 31, 2006

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CEDARVILLE TOWNSHIP	County MENOMINEE
Audit Date MARCH 31, 2006	Opinion Date JUNE 3, 2006	Date Accountant Report Submitted to State: JUNE 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 198 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) CARL R. SORENSEN, CPA			
Street Address 844 PIERCE AVENUE	City MARINETTE	State WI	ZIP 54143
Accountant Signature			

Carl R. Sorensen

Cedarville Township

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Carl R. Sorensen

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INDEPENDENT AUDITOR'S REPORT

Town Board
Cedarville Township
Menominee County, Michigan

I have audited the accompanying general purpose financial statements of the Governmental Activities, each Major Fund and the Aggregate Remaining Fund Information of Cedarville Township, Menominee County, Michigan, for the year ended March 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, each major fund and the aggregate remaining fund information of Cedarville Township, Menominee County, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.


In accordance with *Governmental Auditing Standards*, I have also issued a report dated June 3, 2006, on my consideration of the township of Cedarville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Required Supplemental Information

The Management's discussion and analysis and budgetary comparison information on pages 2 through 4 and pages 17 and 18 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

Other Supplemental Information

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information identified in the table of contents as supplemental information is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Cedarville Township and in my opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.



June 3, 2006

Cedarville Township

Management's Discussion and Analysis for the Year Ended March 31, 2006

This section of Cedarville Township's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2006. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB-34) *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* and is intended to provide the financial results for the fiscal year ending March 31, 2006. Statements were not completed by management under GASB Statement No. 34 for the year ended March 31, 2005, thus comparative data is not provided.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Cedarville Township financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Township wide financial statements by providing information about the Township's most significant funds - the General Fund and Fire Fund and the Non-Major Fund called Metro Funds. The remaining statement, the statement of fiduciary net assets presents financial information about activities for which the Township acts solely as an agent.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principle and interest on long term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

Government-Wide Financial Statements

The Government-Wide financial statements are full accrual basis statements. They report all of the Township's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long term obligations of the Township are reported in the Statement of Net Assets of the Government-Wide financial statements.

The Township as Trustee - Reporting the Township's Fiduciary Responsibilities

The Township is the trustee or fiduciary for its tax collection fund. The Township is also a Trustee for a Marina Account in which funds are received from the State of Michigan for payments on the construction of a State owned Marina located in Cedarville Township. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Cedarville Township

Management's Discussion and Analysis for the Year Ended March 31, 2006

Summary of Net Assets

The following summarizes the net assets at fiscal year ended March 31, 2006.

	<u>Governmental Activities</u>
Assets	
Current assets	\$ 165,005
Capital assets - net of accumulated depreciation	<u>48,954</u>
Total Assets	<u>\$ 213,959</u>
Liabilities	
Current liabilities	\$ -
Long term liabilities	-
Total Liabilities	<u>-</u>
Net Assets	
Net Assets Invested in capital assets, net of related debt	48,954
Unrestricted	<u>165,005</u>
Total Net Assets	<u>213,959</u>
Total Liabilities and Net Assets	<u>\$ 213,959</u>

Analysis of Financial Position

During fiscal year ended March 31, 2006, the Township's net assets increased by \$7,008. A few of the significant factors of the Township are below:

- A. No additions to fixed assets were made during the fiscal year. This compared to March 31, 2005 where \$23,000 was spent on Infrastructure.
- B. Working under the State of Michigan Department of Natural Resources Waterways Grant, a new State owned 125 slip marina has been constructed within the Township.
- C. A Township's commitment to the Fire Department needs for a new tanker has earmarked Fire Funds of \$84,000 for this purpose.

Cedarville Township

Management's Discussion and Analysis for the Year Ended March 31, 2006

Results of Operations

For the fiscal year ended March 31, 2006, the Township results of operations is as follows:

	<u>March 31, 2006</u>
Revenue	
Property taxes for general operations	\$ 49,782
Property taxes for fire services	951
State of Michigan aid	21,419
Charges for services	5,388
Other general revenues	<u>14,802</u>
Total Revenue	<u>92,342</u>
Expenses	
General Government	70,270
Public safety	13,781
Public works	77
Cemetery operations	<u>1,206</u>
Total Expenses	<u>85,334</u>
Increase in Net Assets	7,008
Beginning Net Assets	<u>206,951</u>
Ending Net Assets	<u>\$ 213,959</u>

Original vs. Final Budget

Original General Fund and Fire Fund Budgets were approved on March 16, 2005. No amendments were made to the Budgets.

Net Investments in Capital Assets

The Township's investment in capital assets decreased \$4,840. This can be summarized as follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2006</u>
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	50,000	-	-	50,000
Equipment	44,966	-	-	44,966
Infrastructure	<u>28,645</u>	<u>-</u>	<u>-</u>	<u>28,645</u>
	128,611	-	-	128,611
Less: Accumulated Depr.	<u>74,817</u>	<u>4,840</u>	<u>-</u>	<u>79,657</u>
Net Assets	<u>\$ 53,794</u>	<u>\$ 4,840</u>	<u>\$ -</u>	<u>\$ 48,954</u>

Contacting the Township's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Town Hall.

Cedarville Township

Statement of Net Assets for the Year Ended March 31, 2006

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 159,021
Due from other Governmental units	3,608
Due from fiduciary funds	<u>2,376</u>
Total Current Assets	<u>165,005</u>
Non-Current Assets	
Capital assets	128,611
Less accumulated depreciation	<u>79,657</u>
Total Non-Current Assets	<u>48,954</u>
Total Assets	<u>\$ 213,959</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ <u> </u>
Total Current Liabilities	<u> </u>
Net Assets	
Net assets invested in capital assets, net of related debt	48,954
Unrestricted	<u>165,005</u>
Total Net Assets	<u>213,959</u>
Total Liabilities and Net Assets	<u>\$ 213,959</u>

Cedarville Township

Statement Activities for the Year Ended March 31, 2006

		<u>Program Revenue</u>		<u>Governmental Activities</u>
	<u>Expense</u>	<u>Charges for Service</u>	<u>Operating Grants</u>	<u>Net (expense) Revenue and Change in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
General Government	\$ 70,270	\$ 5,388	\$ 21,419	\$(43,463)
Public safety	13,781	—	—	(13,781)
Public works	77	—	—	(77)
Cemetery operations	1,206	—	—	(1,206)
Total Governmental Activities	<u>\$ 85,334</u>	<u>\$ 5,388</u>	<u>\$ 21,419</u>	(58,527)

GENERAL REVENUES

Taxes

Property taxes for general operations	49,782
Property taxes for fire service	951
Interest and investment earnings	4,001
Other revenue	<u>10,801</u>
Total General Revenue	<u>65,535</u>

Changes in Net Assets

Net Assets:

Beginning of Year	<u>206,951</u>
End of Year	<u>\$ 213,959</u>

Cedarville Township
Balance Sheet
Governmental Funds
for the Year Ended March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Other Governmental Units Metro Funds</u>	<u>Total</u>
ASSETS				
Cash and cash investments	\$ 64,695	\$ 84,636	\$ 9,690	\$ 159,021
Due from other Governmental units	2,657	951	—	3,608
Due from other funds	<u>2,376</u>	<u>—</u>	<u>—</u>	<u>2,376</u>
Total Assets	69,728	85,587	9,690	165,005
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	—	—	—	—
 FUND BALANCES				
Undesignated	<u>69,728</u>	<u>85,587</u>	<u>9,690</u>	<u>165,005</u>
Total Fund Balance	<u>69,728</u>	<u>85,587</u>	<u>9,690</u>	<u>165,005</u>
 TOTAL LIABILITIES AND FUND BALANCES	\$ <u>69,728</u>	\$ <u>85,587</u>	\$ <u>9,690</u>	\$ <u>165,005</u>

Cedarville Township
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
for the Year Ended March 31, 2006

Total Fund Balances - Governmental Funds	\$ 165,005
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*Amounts reported for Governmental Activities in the statement
of net assets are different because:*

Capital assets used in Governmental assets	128,611
Accumulated depreciation	<u>(79,657)</u>

Net Assets of Governmental Activities	<u>\$ 213,959</u>
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Cedarville Township
Combined Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Fund
for the Year Ended March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Other Governmental Units Metro Funds</u>	<u>Total</u>
REVENUE				
Taxes	\$ 49,782	\$ 951	\$ --	\$ 50,733
State grants	18,639	--	2,780	21,419
Charges for services	5,388	--	--	5,388
Interest and rents	3,225	776	--	4,001
Other revenue	<u>10,801</u>	<u>--</u>	<u>--</u>	<u>10,801</u>
Total Revenues	87,835	1,727	2,780	92,342
EXPENDITURES				
General Government	69,640	--	--	69,640
Public safety	--	9,571	--	9,571
Public works	77	--	--	77
Cemetery operations	<u>1,206</u>	<u>--</u>	<u>--</u>	<u>1,206</u>
Total Expenditures	70,923	9,571	--	80,494
Excess of Revenues Over (Under) Expenditures	16,912	(7,844)	2,780	11,848
OTHER FINANCING SOURCES (USES)				
Operating transfers in	--	9,571	6,910	16,481
Operating transfers out	<u>(16,481)</u>	<u>--</u>	<u>--</u>	<u>(16,481)</u>
Total Other Finance Uses	(16,481)	9,571	6,910	--
Net Changes in Fund Balance	431	1,727	9,690	11,848
Fund Balances April 1	<u>69,297</u>	<u>83,860</u>	<u>--</u>	<u>153,157</u>
Fund Balances March 31	<u>\$ 69,728</u>	<u>\$ 85,587</u>	<u>\$ 9,690</u>	<u>\$ 165,005</u>

Cedarville Township
Reconciliation of the Statement of Revenue, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 11,848

Amounts reported for Governmental Activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(4,840)
Capital outlay	<u>—</u>

Changes in Net Assets of Governmental Activities	<u>\$ 7,008</u>
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Cedarville Township
Statement of Fiduciary Net Assets
Fiduciary Funds
for the Year Ended March 31, 2006

	<u>Tax Collection</u>	<u>Marina Development</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,376	\$ 3,833	\$ 6,209
Total Assets	<u>\$ 2,376</u>	<u>\$ 3,833</u>	<u>\$ 6,209</u>
LIABILITIES			
Due to other funds	\$ 2,376	\$ —	\$ 2,376
Total Liabilities	2,376	—	2,376
NET ASSETS	—	3,833	3,833
Reserve for construction	—	3,833	3,833
Total Liabilities and Net Assets	<u>\$ 2,376</u>	<u>\$ 3,833</u>	<u>\$ 6,209</u>

Statement of Changes in Fiduciary Net Assets

REVENUES	
State of Michigan	\$ 1,395,513
Interest	40
Total Revenue	<u>1,395,553</u>
EXPENDITURES	
Marina construction	1,401,828
Total Expenditures	<u>1,401,828</u>
Excess Revenue Over (Under) Expenditures	(6,275)
Net Assets	
Beginning Balance April 1	10,108
Ending Balance March 31	<u>\$ 3,833</u>

CEDARVILLE TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cedarville Township is incorporated under the laws of the State of Michigan. The Township operates under an elected board. The Township provides the services of Fire Protection and General Administrative Services. The accounting policies of Cedarville Township conform to generally accepted accounting principles as applicable to governmental units.

A. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary Government. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All the Town's Government-wide activities are considered Governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for Governmental funds and fiduciary funds even though the latter are excluded from the Government-wide financial statements. Major individual Governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major Governmental funds in the Government-wide financial statements:

The *General Fund* which accounts for the Township's primary operating activities.

The *Fire Fund* which accounts for the Township's fire services.

The Township reports the following non-major Governmental funds in the Government-wide financial statements:

The Metro funds which account for that State aid and its uses.

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the local unit. Revenues are derived primarily from Property Taxes, State Grants and Other Intergovernmental Revenues.

Special Revenue Funds

These funds are used to account for specific Governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

FIDUCIARY FUND

Trust and Agency Funds

The fiduciary fund is used to account for assets held as an agent for others.

The Township reports the following Fiduciary funds:

Tax collection
Marina development

CEDARVILLE TOWNSHIP
Notes to Financial Statements
March 31, 2006

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
Government-Wide Statements

The Town's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of Interfund activity has been eliminated from the Government-wide financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
Government-Wide Statements (continued)

Accounts reported as program revenue include (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and State aid.

Fund Based Statements

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Property taxes, State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

C. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Township. State statutes authorize the governing body of a Township to invest surplus funds in direct obligations of the United States Treasury, in deposit and savings accounts of any federally insured bank, savings and loan or credit union, commercial paper, United States repurchase agreements, bankers' acceptance of U.S. banks, in certain mutual funds and in investment pools.

Investments are reported at fair value which is determined using select basis. Short-term investments are reported at cost which approximates fair value; securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

D. Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

CEDARVILLE TOWNSHIP
Notes to Financial Statements
March 31, 2006

E. Fund Balance Designations

The Township classifies its Fund Balances as follows:

- 1.) Designations of fund balance represent tentative plans by the Township for financial resource utilization in a future period as documented in the minutes or budgeting process for a succeeding year.
- 2.) Undesignated fund balance indicates that portion of fund balance which is available for use in future periods.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budget Basis of Accounting

Budgets are annually adopted on the modified accrual basis of accounting. The original budgets were not amended and are presented in the accompanying financial statements.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

- 1.) Prior to March 1, the Clerk submits to the Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- 2.) Public hearings are conducted to obtain tax payers' comments.
- 3.) Prior to April 1, the budget is legally enacted.
- 4.) The Township Board may authorize transfer budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund.
- 5.) Formal budgetary integration is employed as management control device during the year for the General Fund and Special Revenue Funds.

G. Capital Assets

Capital assets which include land, buildings, equipment and vehicles are reported in the applicable Governmental column in the Government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 - 60 years
Vehicles and other equipment	05 - 10 years
Infrastructure	50 years

Prior to April 2003, Governmental Funds Capital Assets were accounted for in the General Fixed Assets account group and were not recorded directly as a part of any individual funds financial statements. Infrastructure of Governmental Funds was not previously capitalized. Upon implementing GASB 34 Governmental units are required to account for all capital assets including Infrastructure in the Government-wide statements prospectively from the date of implementation.

CEDARVILLE TOWNSHIP
Notes to Financial Statements
March 31, 2006

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

NOTE 2 CASH AND INVESTMENTS

At year end the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 159,021	\$ 6,209	\$ 165,230
Investments	<u>\$ 159,021</u>	<u>\$ 6,209</u>	<u>\$ 165,230</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits	\$ 165,230
Investments in securities	-
Petty cash and cash on hand	-
	<u>\$ 165,230</u>

As required by Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures* the following represents a summary of deposits as of June 30, 2006.

Fully insured deposits	\$ 100,000
Collateralized with securities held by the pledging financial institution in the school name	-
Collateralized with securities held by the pledging financial institutions trust department	-
Uncollateralized	<u>127,341</u>
	<u>\$ 227,341</u>

State statutes and the Township's investment policy authorize the Unit to make deposits in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan; the District is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, mutual funds and investment pools that are composed of authorized investment vehicles. The Township's deposits are in accordance with statutory authority.

The Township had no investments at March 31, 2006.

NOTE 3 PROPERTY TAXES

The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on taxable valuation of property as of the preceding December 31 of \$13,261,369. Taxable valuation is established by the Township and is subject to possible equalization by the State. In addition to collecting their own taxes, the Township also acts as collection agent for all overlapping governments in the Township, which includes school districts and the County.

CEDARVILLE TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 4 CAPITAL ASSETS

The changes in capital assets are as follows:

	Balance April 1, 2005	Additions	Disposals	Balance March 31, 2006
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Buildings	50,000	-	-	50,000
Equipment	44,966	-	-	44,966
Infrastructure	28,645	-	-	28,645
	<u>128,611</u>	<u>-</u>	<u>-</u>	<u>128,611</u>
Less: Accumulated Depreciation	74,817	4,840	-	(79,657)
Net Assets	\$ <u>53,794</u>	\$ <u>4,840</u>	\$ <u>-</u>	\$ <u>48,954</u>

Depreciation expenses were charged to funds as follows:

General	\$ 630
Fire	4,210
	<u>\$ 4,840</u>

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

The amounts of Interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ <u>2,376</u>	Tax Collection	\$ <u>2,376</u>

NOTE 6 RISK MANAGEMENT

The Townships Risk Management activities are recorded in the General Fund. Significant losses are covered by commercial insurance. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the three prior years.

NOTE 7 TOTAL - MEMORANDUM ONLY

The combined financial statements of fund types present total columns for the year ended March 31, 2006, which aggregate the columnar statements by fund type. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

REQUIRED SUPPLEMENTAL INFORMATION

CEDARVILLE TOWNSHIP
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended March 31, 2006

	Original Budget	Final Budget	Actual
REVENUES:			
Taxes	\$ 50,000	\$ 50,000	\$ 49,782
State grants	20,000	20,000	18,639
Charges for services	5,000	5,000	5,388
Interest and rents	3,000	3,000	3,225
Other revenue	<u>13,610</u>	<u>13,610</u>	<u>10,801</u>
Total Revenues	91,610	91,610	87,835
EXPENDITURES:			
General government	72,410	72,410	69,640
Public works	6,000	6,000	77
Cemetery variations	<u>1,531</u>	<u>1,531</u>	<u>1,206</u>
Total Expenditures	<u>79,941</u>	<u>79,941</u>	<u>70,923</u>
Excess of Revenues Over (Under) Expenditures	11,669	11,669	16,912
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	<u>(8,984)</u>	<u>(8,984)</u>	<u>(16,481)</u>
Total other financing sources (uses)	<u>(8,984)</u>	<u>(8,984)</u>	<u>(16,481)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,685	2,685	431
FUND BALANCES, April 1	<u>69,197</u>	<u>69,197</u>	<u>69,297</u>
FUND BALANCES, March 31	<u>\$ 71,882</u>	<u>\$ 71,882</u>	<u>\$ 69,728</u>

CEDARVILLE TOWNSHIP
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Fire Fund
Year Ended March 31, 2006

	Original Budget	Final Budget	Actual
REVENUES:			
Taxes	\$ -	\$ -	\$ 951
Other revenue	-	-	776
Total Revenues	-	-	1,727
EXPENDITURES:			
Public safety	8,984	8,984	-
Capital outlay	84,466	84,466	9,571
Total Expenditures	93,450	93,450	9,571
Excess of Revenues Over (Under) Expenditures	(93,450)	(93,450)	(7,844)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	8,984	8,984	9,571
Operating transfers out	-	-	-
Total other financing sources (uses)	8,984	8,984	9,571
Excess of Revenues & Other Financing Sources Over(Under) Expenditures & Other Financing Uses	(84,466)	(84,466)	1,727
FUND BALANCES, April 1	83,860	83,860	83,860
FUND BALANCES, March 31	\$ (606)	\$ (606)	\$ 85,587

OTHER SUPPLEMENTAL INFORMATION

CEDARVILLE TOWNSHIP
Detail Schedule of General Fund Revenues
For the Year Ended
March 31, 2006

Taxes	
Property	\$ 18,969
Swamp	<u>30,813</u>
	49,782
 State Grants	
Revenue sharing	18,639
 Charges for Services	
Tax administrative fee	4,388
Fire	100
Zoning	<u>900</u>
	5,388
 Interest and Rents	
Interest	<u>3,325</u>
	3,325
 Fees and Other	
Fox Park	5,741
Miscellaneous	<u>5,060</u>
	<u>10,801</u>
	 <u>\$ 87,935</u>

CEDARVILLE TOWNSHIP
Detail Schedules of General Fund Expenditures
for the Year Ended
March 31, 2006

General Government

Clerk	\$ 7,395	
Treasurer	11,694	
Legislative	1,864	
Administration	7,126	
Board of review	975	
Town hall	20,187	
Zoning	4,909	
Park	4,797	
Assessor fees	7,487	
Election expense	797	
Marina development	1,500	
Other	<u>909</u>	69,640

Public Works

Roads		77
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Cemetery Operations

Salaries	406	
Other	<u>800</u>	<u>1,206</u>

\$ 70,923

**TOWNSHIP OF CEDARVILLE
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

I have audited the general purpose financial statements of the Township of Cedarville for the year ended March 31, 2006, and have issued my report thereon dated June 3, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Cedarville's financial statements are free of material misstatement I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

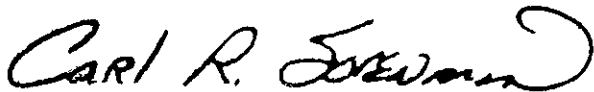
In planning and performing my audit, I considered Township of Cedarville's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Township of Cedarville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARD (continued)**

Due to the size of the Organization, it is not feasible to obtain a proper separation of accounting duties and custody of assets. Control procedures could be circumvented at any time. Hiring additional personnel to overcome this weakness would not be justified.

A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the management of the Township of Cedarville. However, this report is a matter of public record and its distribution is not limited.



June 3, 2006